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1070(b) (4) (A)).

The Basic Educational Opportunity Grant Program has provided financial aid to needy students, but often has not met its legislative goal of being the foundation of financial aid for needy students. Findings/Conclusions: The Office of Education has not established adequate controls to guarantee that information supplied by applicants and parents is accurate. As much as \$24.3 million may have been awarded to ineligible students. Other basic grants of as much as \$117.9 million were awarded without resolving conflicts in information. Because of problems in the program's information processing system, the Office could not provide needed technical assistance to participating schools and has not determined how postsecondary schools administer the Basic Grant Program. Recommendations: The Secretary of Health, Education, and Welfare should direct the Office of Education to: more accurately estimate basic grant funding by extensively using the information available from program experience; provide students with application materials containing information about the Basic Grant program, emphasizing its entitlement and student aid features; periodically assess the effect of the program's outreach efforts; improve technical assistance to participating schools and regularly review them onsite; require the program to get data from participating schools on students who drop out; include tests in the coursement process to prevent students from receiving duplicate awards; and do more to get refunds from students who have received awards from tuition-free schools and from schools choosing not to participate as the Office's disbursing agent. (Author/SC)

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REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

Office Of Education's Basic Grant Program Can Be Improved

The Basic Educational Opportunity Grant Program has provided financial aid to needy students but often has not met its legislative goal of being the foundation of financial aid for needy students.

The Office of Education has not established adequate controls to guarantee that information supplied by applicants and parents is accurate. As much as \$24.3 million may have been awarded to ineligible students. Other Basic Grants of as much as \$117.9 million were awarded without resolving conflicts in information.

Because of problems in the program's information processing system, the Office could not provide needed technical assistance to participating schools and has not determined how postsecondary schools administer the Basic Grant program.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20543

B-164031(1)

To the President of the Senate and the
Speaker of the House of Representatives

The Office of Education of the Department of Health, Education, and Welfare is responsible for administering the Basic Educational Opportunity Grant Program, which provides financial aid to needy students from low and middle income families. In many cases, the program has not met its legislative goal of being the foundation of financial aid for needy students, and the Office of Education needs to improve program operation.

Because, in terms of annual appropriations, the Basic Grant program is the Office of Education's largest student aid program, we made our review to determine if (1) it was meeting its legislative goals, (2) verification procedures were adequate, and (3) it was being administered effectively.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretary of Health, Education, and Welfare.


Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

OFFICE OF EDUCATION'S
BASIC GRANT PROGRAM
CAN BE IMPROVED

D I G E S T

From school years 1973-74 through 1976-77, the Department of Health, Education, and Welfare awarded over 3.9 million grants totaling over \$2.9 billion for the Basic Educational Opportunity Grant Program. The program is meeting one legislative objective--providing financial aid to needy students. However, the program often has not met another legislative goal--being the foundation of financial aid for needy students. (See ch. 2.)

The Office of Education and the 19 post-secondary schools reviewed had problems administering the program.

--The Office of Education has not established adequate controls to make sure that the eligibility information supplied by applicants and parents is accurate. (See ch. 3.)

--The Office has not adequately examined how the schools carried out the program or their compliance with legislation and HEW regulations. (See pp. 32 and 33.)

--The process used to determine the demand for Basic Grants has not given the Office sufficient, timely, and accurate information which can be used to evaluate schools' needs for funds. (See pp. 34 to 36.)

--Some schools did not follow Basic Grant refund procedures. Also, no Office of Education refund policies have been implemented for students receiving grants who attend tuition-free schools or schools which choose not to act as the Office's disbursing agent. (See pp. 37 to 39.)

During 1974-75, about 6.5 percent of the students receiving grants at the 19 schools did not meet the program's eligibility requirements. (These grantees received about \$661,000.)

Awards totaling \$3.2 million for an estimated 30.3 percent of the students receiving grants in 1974-75 were based upon eligibility information without resolving other conflicting information. (See p. 24.)

Because GAO believes the selected schools represented schools nationwide, about \$24.3 million of the \$356.5 million awarded may have been awarded to ineligible students. Other Basic Grants of as much as \$117.9 million were awarded without resolving discrepancies in eligibility information. (See p. 25.)

RECOMMENDATIONS

The Secretary of HEW should direct the Office of Education to:

- More accurately estimate Basic Grant funding by extensively using the information available from program experience.
- Provide students with application materials containing information about the Basic Grant program, emphasizing its entitlement and student aid features.
- Periodically assess the effect of the program's outreach efforts, to determine whether students know about the program before they enroll in postsecondary schools.
- Improve technical assistance to participating schools and regularly review them on-site.
- Require the program to get data from participating schools on students who drop out.

- Include tests in the disbursement process, to prevent students from receiving duplicate payments.
- Do more to get refunds from students who have withdrawn from tuition-free schools and from schools choosing not to act as the Office's disbursing agent. A first step would be to promptly issue the regulations establishing a Basic Grant refund policy covering students at such schools.
- Use one or a combination of several ways of verifying applicants' information. (See p. 27.)

AGENCY COMMENTS

HEW agreed that a number of improvements are needed in the Basic Grant program but said it has too little staff to make such improvements. HEW said that the report focuses on the 1974-75 school year--the program's second year. At that time the Office of Education and the postsecondary schools were "learning" and that since that time improvements have been made. (See app. I.)

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ABBREVIATIONS

GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
OE	Office of Education

GLOSSARY

Financial need	The difference between the cost of attending postsecondary education and the amount the student and family can be expected to pay.
Need analysis	The process of assessing a family's ability to meet the costs of postsecondary education.
Financial aid officer	The person at a postsecondary institution whose task is to meet the financial need of each student using the various types of financial aid available.
Financial aid package	A compilation of the various types of financial aid available from Federal and State programs, private and institutional scholarships and loans and grants which the financial aid officer uses to meet each student's need.
Processing contractor	The American College Testing Program, the Basic Grant program's contractor for processing students' applications and determining their eligibility for the program.
Alternate disbursement system	The process by which students receive awards directly from the Office of Education if they attend schools which choose not to act as the Office of Education's disbursing agent.
Frequency distribution	A grouping of the possible values of a variable into broader classifications to indicate the frequency with which the values in a particular interval occur.

CHAPTER 1

INTRODUCTION

Each year, millions of students in the United States experience difficulty meeting the increasing costs of post-secondary education. Many families cannot afford to send their children to the school of their choice or, for that matter, to any postsecondary educational institution. To help defray these costs, various Federal, State, institutional, and private financial aid programs have been established.

In recent years, the Federal Government has been a major source of such assistance. The estimated Federal contribution for student financial aid for fiscal year 1975 was \$4.5 billion compared to \$1.2 billion from State and private sources. The Federal contributions were funded under programs of the Office of Education (OE) (\$2.3 billion), Veterans Administration (\$1.6 billion), Social Security Administration (\$0.5 billion), and other agencies (\$0.1 billion).

OE, within the Department of Health, Education, and Welfare (HEW), sponsors six major student aid programs

- Basic Educational Opportunity Grants (Basic Grants),
- Supplemental Educational Opportunity Grants (Supplemental Grants),
- College Work-Study,
- National Direct Student Loans (Direct Loans),
- Guaranteed/Federally Insured Student Loans (Guaranteed Loans), and
- State Student Incentive Grants.

Funds for these six programs are distributed on the basis of need to students enrolled in a wide range of post-secondary institutions, including colleges; universities; community and junior colleges; vocational, technical, and business schools; and hospital schools of nursing.

The Basic Grant program is described in detail starting on page 3. Summaries of authorized activities, eligibility criteria, and funding levels for OE's six major student aid programs are included in appendix II.

Three of the programs--Supplemental Grants, College Work-Study, and Direct Loans--are referred to collectively as the campus-based programs because they are administered by financial aid officers at postsecondary schools. Supplemental Grants, authorized by section 413 of the Higher Education Act of 1965 (20 U.S.C. 1070b) (Supp. IV 1974), are intended to assist students who demonstrate exceptional financial need and who, without such aid, could not reasonably expect to enroll in postsecondary education. The College Work-Study program, incorporated into section 441 of the Higher Education Act of 1965, as amended (42 U.S.C. 2751) (Supp. III 1973), is intended to promote part-time employment of students needing funds to continue attending postsecondary institutions. The basic requirement for a student's participation in the program is demonstrated financial need, but preference is to be given to those students with the greatest financial need. The Direct Loan program, incorporated into part E, title IV, of the Higher Education Act of 1965, as amended (20 U.S.C. 1087aa-ff) (Supp. IV 1974), makes low interest, long-term loans available to qualified students needing financial assistance.

The Guaranteed Student Loan program was authorized by section 421 of the Higher Education Act of 1965 (20 U.S.C. 1071) (Supp. IV 1974). Its major objective is to provide funds to eligible students who wish to borrow money to finance part of their educational costs. Students obtain long-term loans directly from banks or certain other participating lenders. Guaranteed loans are insured by either the Federal Government or a State or private nonprofit guaranty agency.

The State Student Incentive Grant program, authorized by the Higher Education Act of 1965, as amended (20 U.S.C. 1070c), is to assist States and territories to initiate or expand grant and scholarship programs for postsecondary education students having substantial financial need. Each State agency selects grant recipients using financial need criteria established annually by that State and approved by OE.

Veterans Administration educational assistance programs provide financial aid to veterans and their eligible dependents for school and living expenses. The Social Security Administration helps meet the educational expenses of children of retired, disabled, or deceased parents who qualify for social security benefits. Unlike OE programs, the amount a student may receive under these programs is not adjusted on the basis of need.

ANALYSIS TO DETERMINE STUDENT FINANCIAL NEED

The basic premise of OE student aid programs is that students and their families are primarily responsible for the cost of postsecondary education. Therefore, a family's ability to meet these costs must be assessed--a process referred to as need analysis. For purposes of OE programs, except the Basic Grant program, the extent of a student's need can be determined by any of several approved systems. The three major OE-approved systems of need analysis are (1) the College Scholarship Service system, (2) the American College Testing Program system, and (3) the Basic Grant system. As indicated the Basic Grant program has a separate need analysis system. The authorizing legislation for Basic Grants requires OE to annually develop a family contribution schedule, which is a formula for measuring the financial strength of the students and their families.

Financial aid officers at postsecondary schools are responsible for helping students meet the cost of education with the resources available at the school. A student's financial need is the difference between the cost of postsecondary education and the family's and student's ability to meet that cost. To meet a student's need, the aid officer usually develops a financial aid package which includes various types of grants, scholarships, loans, and work-study funds available from Federal, State, private, and institutional sources.

PROGRAM DESCRIPTION AND FUNDING

Title IV-A of the Higher Education Act of 1965, as amended (20 U.S.C. 1070a), authorized the Basic Grant program. Administered by OE, it is intended to make postsecondary education available to all eligible students. It is designed to assist students in continuing their postsecondary education and is intended to be the "foundation" or starting point for packaging aid for needy students. The program provides students with grants that are considered "entitlements," that is, financial assistance for any who qualify. Unlike a loan, the grant does not have to be repaid if the student attends the school during the entire academic period for which the grant was made. The grants are intended to be supplemented by other Federal student aid programs, such as Supplemental Grants, Work-Study, and Direct and Guaranteed Loans.

Although the Basic Grant program has completed only its fourth year, expenditures have increased over 30 times--from \$49 million for academic year 1973-74 to an estimated

\$1.5 billion for 1976-77. During the same period the number of students receiving Basic Grants has risen from about 185,000 to an anticipated 1.9 million. Details of appropriations, expenditures, and number of recipients are shown in appendix III. In terms of annual appropriations, the program is OE's largest student aid program. The Education Amendments of 1976 extended the program through September 30, 1979.

Eligibility requirements

Scholastic ability does not bear on a student's eligibility for a Basic Grant. The amount of each Basic Grant is adjusted in accordance with the student's need. The program's authorizing legislation stipulates that no Basic Grant can exceed one-half of the cost of education and must be used solely for educational purposes. The funds may be used for tuition, fees, room, board, books, supplies, and miscellaneous expenses. At the time of our review, to receive a Basic Grant a student had to be enrolled in an eligible program at an eligible institution.

An eligible program was one which offered training that

--led to a degree or certificate,

--was of at least 6 months duration, and

--admitted as regular students only those persons having a certificate of graduation from a school providing secondary education or the recognized equivalent of such a certificate.

The term "institution of higher education" is defined by law (20 U.S.C.A. 1141(a) (West Supp. 1977)) which provides that, among other things, (1) the institution be legally authorized within the State to provide postsecondary education and (2) be accredited by a nationally recognized accrediting agency or provide satisfactory assurance that it will meet accrediting standards within a reasonable period of time. The determination of an individual institution's eligibility under all OE student financial aid programs is made by OE's Division of Eligibility and Agency Evaluation in the Bureau of Higher and Continuing Education.

According to the Basic Grant handbook, during the 1974-75 academic year, an eligible student was one who

--enrolled full time in an eligible program at an eligible postsecondary institution,

- began postsecondary education after April 1, 1973,
- was a U.S. citizen or intended to become a permanent resident, and
- demonstrated financial need according to the Basic Grant formula.

For the 1975-76 academic year, students enrolled on at least a half-time basis became eligible. The April 1, 1973, restriction was removed for academic year 1976-77.

Application and award process

Students can learn about the Basic Grant program through outreach efforts by OE, high schools, and postsecondary schools. Applications are available at schools, public libraries, and other locations. The student forwards the completed application to the American College Testing Program, OE's central processing contractor for the program. The contractor uses the Basic Grant family contribution schedule to determine the applicant's financial need. The family contribution schedule is updated annually by OE and reviewed by the Congress.

The formula for determining the expected family contribution considers

- family or student income (including all social security benefits and one-half of Veterans Administration educational benefits);
- student and family assets;
- unusual medical and dental expenses and casualty losses;
- family size; and
- number of family members enrolled in postsecondary education.

For determining the expected family contribution, income receives the most weight in measuring financial strength.

Two formulas--one for applicants dependent on their families and one for self-supporting (independent) applicants--are used to compute the expected family contribution. The formula for dependent applicants considers income, assets, and other factors for the parents as well as the student,

whereas the formula for self-supporting applicants considers only the student's (and, if applicable, spouse's) income, assets, and other factors.

A student eligibility index, representing the student's and/or family's expected contribution toward the costs of postsecondary education, is used to determine the amount of a student's Basic Grant award. An eligibility report containing the index is sent to the applicant. The applicants take their eligibility reports to a financial aid officer at the school they select, and the aid officer determines the award amount from an OE payment schedule which shows varying costs of attendance and levels of expected family contribution. The school either pays the student, credits the student's account, or uses a combination of both systems. At schools which choose not to act as OE's disbursing agent, students receive their awards (payment) directly from OE.

Funding process at participating institutions

The terms of agreement between the institution and OE establish the institution's participation in the Basic Grant program. Once the agreement has been signed, the institution receives an initial authorization against which it can draw funds. The initial authorization is an estimate of the funds required to make payments to students for the first academic term.

Because participating institutions act as OE's disbursing agents for Basic Grants and all eligible students are entitled to receive Basic Grants, the amount of funds required by each institution depends on the actual Basic Grant demand at the institution. A school's initial authorized funding is revised by means of progress reports forwarded to OE. These reports, which show information concerning actual expenditures to date and estimated expenditures for the remainder of the year, are used as a basis for making required adjustments. Additional details regarding the progress reporting system are discussed on pages 34 to 36.

SCOPE OF REVIEW

We made our review at OE headquarters in Washington, D.C.; the American College Testing Program, Iowa City, Iowa; and 19 selected postsecondary schools including five 4-year public schools, five 4-year private schools, three 2-year public schools, three 2-year private schools, and three private, vocational-technical schools. The schools were chosen to get

a geographically representative mix by type of institution and by extent of participation in Federal student aid programs. The criteria we used to select schools to be reviewed are discussed in appendix IV.

We evaluated whether the program was meeting its objective of providing eligible students with a foundation of financial aid to help defray the costs of postsecondary education. We reviewed legislation regarding the Basic Grant program and policies, procedures, and regulations concerning program implementation and operation.

We also discussed the program with OE officials; officials responsible for processing applications; and officials at postsecondary institutions, high schools, selected student aid associations, and need analysis firms. This included both the American College Testing Program and the College Scholarship Service. We assessed OE and school administration of the Basic Grant program and verification procedures involving the accuracy of applicant-supplied eligibility information. We did not review OE's administration of the Basic Grant alternate disbursement system (system of direct disbursement to students).

We used random samples of Basic Grant recipients at each of the 19 schools reviewed (see app. V) to develop information needed for evaluating various aspects of program operations. Also, we sent questionnaires to 1,192 randomly selected students to determine the extent of OE and postsecondary school outreach efforts. (See ch. 2.)

CHAPTER 2

EXTENT TO WHICH THE PROGRAM IS

MEETING LEGISLATIVE INTENT

The Basic Grant program is meeting one legislative objective--providing financial aid to needy students. We noted that 76 percent of a randomly selected group of 1974-75 Basic Grant recipients came from families having incomes of less than \$9,000--illustrating the program's orientation to low and middle income families. The program, however, has not in many cases met another legislative goal of providing a foundation for packaging financial aid for needy students, primarily because the amount of funding available for Basic Grants had not been determined in time for aid officers to begin packaging aid with Basic Grants.

Generally, data available to OE shows that outreach efforts by OE, high schools, and postsecondary schools have reached needy students. However, 37 percent of the students responding to our questionnaire on Basic Grant publicity were unaware of the program before enrolling in postsecondary institutions. Although the program's outreach efforts have been quite successful, OE could improve these efforts by providing students with information placing greater emphasis on the program's entitlement and student based features.

To improve the program's objective of being the foundation of student aid, OE needs to do a better job of estimating the demand for Basic Grants. OE officials told us that improving the timeliness in providing Basic Grant funds to institutions depends upon timely appropriations. They stated that the Education Amendments of 1976 allow them to automatically carry over unexpended funds (up to 15 percent of their appropriation) to the subsequent year and said that this provides OE with sufficient flexibility to deal with problems of under- or overexpenditures during a year.

PROFILES OF BASIC GRANT RECIPIENTS SHOW PROGRAM IS REACHING TARGET POPULATION

As part of our effort to develop profiles of recipients and to determine whether grants were made to financially needy students from low and middle income families, we selected, at random, records for 2,602 Basic Grant awardees for the 1974-75 academic year--1,179 records for dependent students and 1,423

records for independent students. 1/ We summarized certain socioeconomic characteristics of this group, such as family income and assets, household size, and age of the recipients, using frequency distributions and averages.

The following table shows that 76 percent of the combined independent recipients' and the dependent recipients' families in our sample had incomes of less than \$9,000-- illustrating the program's orientation to low and middle income families.

<u>Income categories</u>	<u>Number in sample</u>	<u>Percent</u>
\$ 0 - \$ 5,999	1,758	52
6,000 - 8,999	471	24
9,000 - 11,999	256	16
12,000 and over	<u>117</u>	<u>8</u>
Total	<u>2,602</u>	<u>100</u>

The percentages are weighted based on the proportion of the total dependent and independent recipients. About 81 percent, or 11,959 (see note 1 below and app. V), of those in our sample were considered dependent on their parents for financial support. The typical dependent grantee was 20 years old, single, and from a household having five family members. The families of these recipients had an average annual income of \$6,840, net assets of \$5,960, and a home with a net value (fair market value less indebtedness) of \$7,790.

The remaining 19 percent, or 2,914 (see note 1 below and app. V), of the recipients in our sample were considered independent of their parents. The typical independent grantee was 27 years old and from a household having three family members. These grantees had an average annual income of \$3,100 and net assets of \$130. Only 10 percent were homeowners. Appendix VI provides more detailed profiles of the dependent and independent recipients at various grant levels.

1/These records represented subsamples selected from our larger samples of 11,959 dependent and 2,914 independent records. (See app. V.)

OUTREACH EFFORTS HAVE ATTRACTED POTENTIAL APPLICANTS

The Basic Grant program differs from most federally sponsored student aid programs in that it is student based rather than institution based; that is, the institutions may exercise discretion in awarding Basic Grant funds only if the amount of the grant for a given academic year is determined to equal less than \$200. Under the Basic Grant program:

--The applicant chooses to participate in the program and applies to OE through the processing contractor rather than through the schools.

--Award amounts are determined by a term OE payment schedule rather than by the individual schools.

To inform potential applicants of the Basic Grant program, including eligibility criteria and procedures for obtaining grants, OE and postsecondary and high schools have engaged in an extensive outreach program. OE's efforts have included (1) dissemination of applications and other information to students, high schools, postsecondary schools, and libraries; (2) radio and television announcements; and (3) training workshops for high school guidance counselors and financial aid and fiscal officials at postsecondary schools. From the program's inception through fiscal year 1976, OE expenditures for these efforts have totaled about \$5.4 million.

Most schools we visited informed potentially eligible students of the availability of grants through school catalogs, newspapers, flyers, letters, bulletin board notices, counseling sessions with students and parents, and the distribution of Basic Grant applications and other materials.

In order to determine the extent of OE and postsecondary school outreach efforts, we randomly selected and sent questionnaires to 1,192 freshmen and sophomore students at the 19 postsecondary schools visited and at California Business College, which we did not visit. Of the 1,192 students, 816 (68 percent) responded. About 71 percent indicated awareness of the program before our survey. About 37 percent first heard of the program after enrolling in postsecondary institutions. Thus, while outreach efforts have been effective, they apparently do not reach some students before they decide to obtain postsecondary education.

Of the students who could recall the source of their information about the program, the most frequent responses

were--high school counselors (34 percent), friends (23 percent), media (20 percent), and financial aid officers (12 percent). Awareness of the Basic Grant program ranged from 83 percent for students whose family income was below \$5,000 to 63 percent for students whose family income was \$15,000 and over. About 92 percent of the respondents who received 1974-75 grants and about 93 percent of respondents who received 1975-76 grants had family incomes of less than \$15,000. Thus, our survey indicates that Basic Grants are awarded to students from low and middle income families.

During the Basic Grant program's first 2 years, the appropriations exceeded the demand. Some financial aid experts from the College Scholarship Service and HEW believe the failure of HEW to use existing student aid delivery systems, such as State agencies and the major need analysis firms, contributed to underutilized funds. However, in 1975-76 the demand for funds exceeded expectations, and we assume that increased emphasis on outreach contributed to the 350-percent increase in the number of Basic Grant applicants between academic years 1973-74 and 1975-76. Undergraduate recipients at the 19 schools we visited increased from an average of 3 percent of the student body in academic year 1973-74 to 9 percent in academic year 1975-76.

A 1976 report on Student Financial Aid Problems, issued by the College Entrance Examination Board, stated that

- most students were only vaguely aware of the nature and scope of the Basic Grant program,
- few understood its entitlement features, and
- many believed financial aid officers controlled, calculated, and awarded Basic Grants.

The report was prepared following a series of hearings conducted at 32 public and private, nonprofit postsecondary institutions in 7 States nationwide. In all, 250 students representing over 150 institutions provided their views on a wide variety of student financial aid problems. The report suggested that inadequate information was probably the most important factor contributing to students' confusion about the program.

In contrast to student views, our review showed that most high school and postsecondary school officials believed that OE's outreach program adequately disseminated Basic Grant information. However, they said the program could be improved if

- applications were distributed earlier to high schools so that students were aware of their eligibility before deciding upon a postsecondary school and
- training workshops conducted by OE for school officials were less repetitive from year to year, were directed at school administration of the program and at annual changes in program requirements, and were structured to meet the needs of both new and experienced aid officials.

For the 1976-77 academic year, OE distributed applications in January 1976. An OE program official told us that OE could distribute applications before January but that the program's requirement for reporting actual income, as opposed to estimated income, precludes this since actual data on wages, salaries, and other income is not available until January.

OE program officials told us that comprehensive training had been conducted during the Basic Grant program's first few years to enhance aid officers' and high school counselors' understanding. They also said that workshops held in the spring of 1976 were geared to the needs of new and experienced aid officials and that, hereafter, workshops would be structured along the same lines. They said some training sessions would be held for nontraditional institutions (correspondence schools, schools of nursing, and proprietary schools).

WHY BASIC GRANTS HAVE NOT BEEN THE FOUNDATION OF FINANCIAL AID PACKAGES

The Congress intended Basic Grants to be the first source of aid, after which other discretionary sources (Supplemental Grants, Direct Loans, College Work-Study, etc.) would be used if necessary. However, the lack of a coordinated aid delivery schedule and problems in estimating the demand for program funds had precluded this goal from being achieved.

Although the Basic Grant program's appropriation for any given fiscal year is for use in the succeeding academic year, historically the amount of funding available for Basic Grants had not been determined in time for financial aid officers to begin packaging student aid with Basic Grants. Aid officers have been forced to estimate grants or defer consideration of them until the amount of funding had been established. When consideration of grants is deferred,

the grant will generally not be the foundation of student aid because aid officers will use other Federal and State aid programs to develop aid packages.

If Basic Grants are not available in time to be the foundation of aid packages, students may not be able to meet their educational costs or they may require more aid from other Federal student aid programs. Students who do not qualify for Basic Grants but who qualify for the other Federal aid programs may not get the other aid if it has been awarded to students who would have qualified for Basic Grants.

HEW agreed that Basic Grants were frequently not the foundation of a student's financial aid package in the past but said that this situation had changed so that now most institutions and State scholarship agencies require students to file for a Basic Grant before they are considered for other aid. Also, recently proposed regulations for the campus-based programs require schools to consider Basic Grant eligibility before awards under campus-based programs are made.

OE program officials told us that the recent congressionally granted automatic adjustment authority which allows them to carry over to the subsequent year unexpended funds up to 15 percent of the current year's appropriation provides them with sufficient flexibility to deal with problems of under or over-expenditures.

Process for developing Basic Grant funding

The Higher Education Act of 1965, as amended (20 U.S.C.A. 1070a(a)(3) (West Supp. 1977), requires the Commissioner of Education to provide the Congress with family contribution formulas to be used for determining students' eligibility for Basic Grants. Through academic year 1976-77, the formulas had to be submitted to the Congress by February 1 and approved by May 1 of the academic year for which the formula was to be effective. The Education Amendments of 1976 changed these respective dates to July 1 and October 1 of the year preceding the academic year for which the formula was to be effective.

Following congressional approval of the formulas, OE attempts to match funding authorizations with its estimates of total demand for grants, considering such factors as student enrollment at various income levels, the cost of education, and changes in the approved formulas. OE then develops a payment schedule which provides financial aid officers with grant amounts at various educational cost and eligibility index levels.

OE's recommended family contribution formulas for academic years 1974-75 and 1975-76 were provided to the Congress which took no subsequent action to adopt a resolution of disapproval prior to the statutory deadlines. However, OE did not provide aid officers with the payment schedule until May of each year. An OE program official attributed the delay to inaccurately estimating the demand for funds and the resultant need for congressional action to reestablish program funding levels for the upcoming year based upon actual demands for the preceding year. He said congressional action was necessary to permit unused funds resulting from lower student demands (for grants in academic years 1973-74 and 1974-75) to be carried over into the next fiscal year.

For academic year 1975-76, OE underestimated the demand for Basic Grants. That required the Congress to approve a supplemental appropriation. Since financial aid packaging is normally completed in the spring preceding the start of an academic year, aid officers had to either estimate Basic Grants as part of aid packages or exclude them and use other sources of aid. According to an OE program official, the problem of estimating demand has been complicated by the annual changes in postsecondary enrollments, educational costs, number of independent students, and changes in Basic Grant eligibility requirements. For example, in academic year 1973-74, only freshmen were eligible. Sophomores were added in 1974-75, juniors in 1975-76, and seniors in 1976-77. Students enrolled on at least a half-time basis became eligible in 1975-76.

Of the 19 postsecondary schools we visited, 10 estimated grants and 9 deferred awards until payment schedules were available. In most deferral cases, since aid packages were developed from other sources, Basic Grants were not the foundation of student aid. After Basic Grant amounts were determined, student aid packages had to be adjusted; sometimes other aid was reduced to avoid aid packages which exceeded students' needs.

In its 1975 final report, the National Task Force on Student Aid Problems, representing more than 26 educational associations and organizations, recognized the lack of synchronization between the Basic Grant program and the calendar for packaging student aid. According to the task force, the dates for availability of applications and the start of processing for Basic Grants were inconsistent with the program's objective of being the foundation of student aid. The task force recommended that (1) a coordinated student aid delivery

schedule be adopted and (2) a common base year be established for collecting family financial information for all need-based student aid programs. Specifically, the report suggested that

- Basic Grant applications be available in the September preceding the academic year when the grants would be used,
- family financial information for all student aid programs be collected for the calendar year preceding fall enrollment,
- all aid programs use estimates of family financial information to make tentative award announcements to students, and
- data be verified and award adjustments be made before aid funds are disbursed to students.

In recommending a coordinated aid delivery schedule, the task force recognized the need for changes in legislation. Since those changes could take a long time, the task force offered a compromise calendar which suggested Basic Grant applications be available by January 1 of the academic year when the grants would be used. The task force also stated that funds have not been appropriated and allocated soon enough to assure the most effective distribution of financial aid among students.

The Education Amendments of 1976 (20 U.S.C.A. 1070(b) (4)(A) (West Supp. 1977)) established an automatic carryover provision for Basic Grant funds. By eliminating the need for OE to annually obtain congressional approval for carryover, this change should improve the program's delivery schedule and funding. The amendments did not change applicant eligibility requirements. That should bring some stability to the program.

Because the program has completed its fourth year and now has accumulated a large amount of information from program experience, OE should be more able to accurately estimate the demand for grants. The program director told us that OE will continue to have problems in estimating the demand for Basic Grants because of changes in factors cited on page 14, but that the recently granted automatic adjustment authority will help OE to provide funds to institutions in a timely fashion.

In February 1977, the program director told us that the Basic Grant program had reached a tentative agreement with other groups in the financial aid community on a coordinated delivery schedule, common data collection, and a common base year for collecting financial data. Implementation of the agreement is scheduled for academic year 1978-79.

CONCLUSIONS

The Basic Grant program appears to be accomplishing its goal of assisting financially needy students. Also, OE efforts to publicize the program have generally been successful in making students aware of the program. However, 37 percent of the respondents to our questionnaire were unaware of the program before enrolling in a postsecondary institution. OE could improve these efforts by providing students with information emphasizing the program's entitlement and student based features. Moreover, OE needs to periodically assess the program's outreach efforts to determine the impact of these efforts on the student's decision to enroll in postsecondary education.

Problems in estimating the demand for Basic Grant funding and the lack of a coordinated aid delivery schedule had kept the program from being the foundation of student aid as the Congress intended. If Basic Grants are not available in time to be the foundation of student aid packages, students may not be able to meet their educational costs or they may require more aid from other Federal student aid programs. Also, students who do not qualify for Basic Grants but who qualify for other types of aid may not get this other aid if such aid has been awarded to students who would have qualified for Basic Grants. Whenever the Basic Grant is not the foundation of the aid package, aid officers will have to repackage aid to adjust the previously estimated grant amount or add the grant to the aid package when Basic Grant aid becomes available. OE program officials told us that the recent congressionally granted automatic adjustment authority to the Basic Grant appropriation should provide them with sufficient flexibility to expeditiously deal with those problems which occur during any year when either under- or overexpenditures occur. Also, since the amendments did not change applicant eligibility requirements, they should bring some stability to the program.

Nevertheless, we believe better use could be made of existing information derived from program experience to improve estimates for needed funding.

RECOMMENDATIONS

We recommend that the Secretary of HEW direct the Commissioner of Education to improve the accuracy of estimates for Basic Grant funding by more extensive use of information available from program experience.

We also recommend that the Secretary direct the Commissioner to provide students with application materials containing information about the Basic Grant program with greater emphasis on its entitlement and student based aid features. Moreover the Commissioner should periodically assess the impact of the program's outreach efforts to determine whether students are aware of the program before they initially enroll in postsecondary education.

AGENCY COMMENTS AND OUR EVALUATION

HEW concurred with the need to improve the accuracy of Basic Grant funding estimates and is initiating numerous actions designed to provide program data in support of cost estimates. To improve the accuracy of funding estimates, HEW plans to merge applicant and award recipient files for 1975-76 and 1976-77 and review and update the data base used to project program costs. However, HEW said that there are a number of essentially subjective factors affecting the accuracy of cost estimates and that, although using program experience is a valid means of estimating costs, it will not remove all elements of risk from the estimation process. (See app. I.)

HEW did not agree that students should be provided additional information which emphasizes the program's entitlement and student based features. It has provided a Student Guide containing this information to all high schools and postsecondary schools and included the guide with 1977-78 application materials. We believe that the Student Guide, which became available in May 1977, provides valuable information about OE's student aid programs. It does not, however, emphasize that the Basic Grant program is an entitlement program, and that the program is student based and, therefore, financial aid officers do not determine their grant awards.

Although HEW agreed that a separate assessment of the program's outreach efforts might be useful as part of a comprehensive assessment of the management effectiveness of the program, it did not believe that it is necessary or that it is the best use of limited staff resources. They said that

OE is working with two major need analysis services in the development of an early notification system to inform high school students (in the eleventh grade or lower) of their potential eligibility for all types of student aid resources.

Considering OE's \$5 million expenditure for program outreach efforts and the concerns of students who responded to our questionnaire who were unaware of the program, we believe the Commissioner of OE should determine the effectiveness of these efforts and whether the outreach efforts need to be modified. The results of such an assessment should be useful not only to HEW but also to the Congress to determine whether the program is serving all eligible students.

CHAPTER 3

NEED FOR IMPROVED PROGRAM CONTROLS

Our tests at 19 participating postsecondary schools showed that about 6.5 percent of the 15,572 Basic Grant recipients in 1974-75 who received a total of about \$661,000 had not met the program's eligibility requirements. Also, awards totaling \$3.2 million for about 30.3 percent of the 15,572 recipients were made without resolving conflicting information in the aid files.

Based on the experience at these schools, which we judgmentally selected to include a variety of the schools participating in the Basic Grants program, about \$24.3 million of the total \$356.5 million awarded (excluding amounts awarded through the alternate disbursement system) may have been awarded to ineligible students. Although our sample schools may not be totally representative of all schools participating in the program nationwide, we believe that the criteria we used (see p. 58) provided sufficient coverage of the various types of schools in the program to indicate that the problems noted were not restricted to the schools we visited. We also estimate that awards totaling \$117.9 million were made even though Basic Grant eligibility information conflicted with other information in the files. We were unable to determine whether the Basic Grant information or the other information in the aid files was incorrect. However, the significance of these inconsistencies is that awards for some types of aid were based on erroneous information and could therefore have resulted in miscalculated awards.

To better insure that Basic Grants are awarded only to eligible students and to minimize potential miscalculation of awards, OE needs to

- strengthen its program to verify applicant information (see p. 25) or
- require participating institutions to request verifying information on a sample basis.

IMPROVEMENTS NEEDED IN VERIFICATION OF BASIC GRANT APPLICATION DATA

Of the 19 schools we visited, 13 did not verify applicant information and 6 attempted some verification. While the procedures and the extent of effort varied from school to

school, at the schools which performed verification, the percentages of ineligibles and potentially miscalculated awards were lower than at those schools which did not verify. For example, the average percentages of ineligibles at schools performing verification and at schools not performing verification were 5.9 and 7.8, respectively. Comparable percentages of discrepancies in reported information at these schools were 16.9 and 25, respectively.

The Higher Education Act of 1965, as amended (20 U.S.C. 1070a(b)(2)), and program regulations authorize the Commissioner of Education to request the applicants or their parents to provide any documents, including copies of the applicant's and parents' Federal income tax returns, necessary to verify information on the application. According to an OE program official, except in two validation efforts (see p. 25), individual tax returns have never been requested. He said OE had not requested the information during the program's first year (1973-74) because OE was more concerned with implementing the program and because insufficient staffing precluded them from such an effort. However, he stated that the verification issue had been considered early in calendar year 1974, the final decision being to enter into the initial validation contract.

Basic Grant program regulations and other guidance have not required the application processing contractor or post-secondary institutions to verify applicant information. The processing contractor is to calculate the applicant's eligibility index from the information on the application. OE program officials said the contractor is not allowed to request other verifying information because OE views processing and verification as separate functions. These officials told us that checks are built into the processing system to detect inconsistencies in reported information and incomplete information. They also told us that processing time would be lengthened by requiring the processing contractor to verify applicant- and parent-supplied information.

The financial aid officer is in a good position to review financial information submitted by applicants and their parents. The student's aid file usually contains the school's aid application, the Basic Grant student eligibility report, and the results of a need analysis performed by the American College Testing Program, the College Scholarship Service, or others. At some schools, the files also contain verifying information, such as copies of income tax returns and welfare reports. Therefore, aid officers usually have the documents necessary to detect inconsistencies in applicant information for

independent students and in applicant- and parent-supplied information for dependent students.

Program regulations and institutional agreements allow schools to rely on applicant-supplied information in determining eligibility. OE program officials told us they do not have the authority to require schools to verify Basic Grant applicant information.

A September 30, 1976, OE letter to financial aid officers provides that, if a discrepancy in applicant information is suspected, the officer should first ask the student to clarify the information. If the discrepancy cannot be resolved, the grant should be awarded and the case reported to OE for resolution. If the officer has indisputable proof of erroneous information, he may withhold payment of the grant and attempt to resolve the matter with the student and, if that fails, send the case to OE. The same letter states that, when financial aid officers suspect falsification and have been unable to resolve discrepancies with the student, they should notify OE, which will attempt to validate the information.

As of November 1976 schools participating in the program had reported apparent discrepancies in applicant information for only 844 students of the more than 2 million who received Basic Grants from academic years 1973-74 to 1975-76. Although OE Basic Grant program officials could not provide statistical data on the number of times institutional aid officers questioned conflicting information provided by students, they said that information from school officials indicates that the majority of these cases are resolved at the institutional level and that, therefore, there is no need to refer them to OE for resolution.

A study, conducted at Boston College in 1972 by the director of financial aid, compared information submitted by some of the school's applicants for financial aid with Federal income tax return data. The study revealed that, except for low income families, actual income reported by aid applicants and their parents was significantly higher than the estimated income reported on the application for need analysis. The study concluded that requiring a tax return was necessary to verify income and that institutions would have a serious problem in equitable administration of financial aid unless they verified income.

Other groups in the aid community also recognize a need for verification. In its final report the National Task Force on Student Aid Problems recommended that student aid

funds not be disbursed unless aid application data was verified with income tax information or other financial data. A former executive secretary of the National Association of Student Financial Aid Administrators and most financial aid officers at the 19 schools told us that most aid officers do not verify applicant information because

--OE does not require them to do so and

--insufficient staff in schools' financial aid offices precludes their doing so.

The official said the association favors data verification and an administrative fee to reimburse schools for the cost of verification.

The Education Amendments of 1976 authorize the payment to participating institutions of a \$10 per year administrative fee for each Basic Grant recipient. At the time of our review, schools had not begun receiving such a fee. The money was authorized for carrying out student information services and for other administrative costs. The amendments do not mention verification of Basic Grant eligibility information. OE program officials said they do not believe a \$10 fee is a sufficient incentive for schools to perform verification because of the additional information services they are required to provide. The Education Amendments of 1976 also authorized a \$10 payment per year for each Guaranteed Loan and increased to 4 percent (with a maximum of \$325,000 per institution) the institutional administrative allowance for campus-based student aid programs. We believe a portion of any Basic Grant administrative allowance available to schools could be used by them to verify eligibility information.

ANALYSIS OF BASIC GRANT APPLICATION DATA

To assess the accuracy of applicant- and parent-supplied financial information, we randomly selected 772 Basic Grant recipients for academic year 1974-75 at the 19 schools reviewed. We compared applicant information on students' Basic Grant eligibility reports with information on other documents in the students' financial aid files. In most cases, we compared only those records which were prepared within 6 months of the Basic Grant application date. According to an OE program official, the 6-month criterion was acceptable for assuming comparability in reported information. Ideally, we would have preferred to compare Basic Grant information with

that contained on a single document, such as Federal income tax returns. However, we put ourselves in the position of the financial aid officer and decided to use whatever document was already available in the aid file to detect inconsistencies in the information reported.

We had difficulty in comparing Basic Grant and other financial aid data for 122 of the 772 cases because:

- Some students received only Basic Grants and therefore no comparative data was available.
- The type of comparative data varied widely from school to school. Some schools, such as the California State University and Colleges, required submission of income tax returns. Some schools had their own need analysis form; others used the American College Testing Program's or the College Scholarship Service's need analysis system.

Besides comparing Basic Grant data with other available financial aid data, we reviewed registrars' records, such as transcripts and enrollment data, to determine whether the 1974-75 Basic Grant recipients in our sample were full-time students who had not had postsecondary education before April 1, 1973--as required by the law and program regulations. Our results showed that, because of the lack of verification of available data at the schools,

- awards had been made to some ineligible students and
- awards of Basic Grants had been made on the basis of eligibility information without resolving conflicting information in student aid files.

Cases developed during our review illustrate these types of problems. In our sample of 772 recipients, 18 students should not have received awards because they had postsecondary education before April 1, 1973. Another 38 students were clearly ineligible because they were not full-time students. Another 34 students received awards even though conflicting information in the aid files was not resolved. These students would become ineligible if it was assumed that information which conflicted with that used to determine eligibility for a Basic Grant was used to recalculate their awards.

The types of conflicting information which would have affected Basic Grant award calculations include income, assets,

family size, and number of family members obtaining a postsecondary education. For example, for the 234 students in our sample who received awards on the basis of eligibility information without resolving conflicting information in the aid files, we noted the following discrepancies: income--173, asset--78, household size--63, number in postsecondary education--62, and other discrepancies--138. For some recipients, there were multiple discrepancies. The results of our analysis projected to the universe at the 19 schools are summarized below.

<u>Problem</u>	<u>Number of students</u>	<u>Percent of awards</u>	<u>Award amounts</u>
Awards made without resolving conflicting eligibility information	4,086 to 5,342	26.3 to 34.3	\$2,732,458 to \$3,670,960
Ineligibility caused by potential miscalculation	365 to 873	2.4 to 5.6	\$ 126,154 to \$ 364,216
Ineligibility due to noncompliance with the law and regulation	691 to 1,343	4.4 to 8.6	\$ 410,200 to \$ 911,706
Total in universe	15,572	-	\$9,688,424

Note: All projections in this report are at the 95-percent confidence level.

The universe of 1974-75 Basic Grant recipients at the 19 schools in our sample was 15,572. The numbers above are determined by projecting the results of our review of 772 of these recipients' files sampled to the universe. The above ranges reflect the sampling error for each category.

Based upon our projections, 4,714 (30.3 percent) Basic Grants totaling \$3.2 million were awarded on the basis of questionable information. Also, an estimated 1,017 (6.5 percent) 1974-75 grantees at these schools who received about \$661,000 were ineligible. The results of our analysis were even more significant considering the fact that there were about 573,403 recipients (excluding those on the alternate disbursement system) during the 1974-75 academic year who

received grants totaling over \$356.5 million. Since we consider the schools and recipients in our sample to be representative (see app. IV), up to \$24.3 million may have been awarded to 37,271 ineligible recipients nationwide during academic year 1974-75. Furthermore, Basic Grants of about \$117.9 million were made to an estimated 173,741 recipients on the basis of Basic Grant eligibility information without resolving conflicting information in student aid files. HEW told us that many studies have shown that Basic Grant data is more likely to be valid than data collected for other student aid programs. The method of computing the above dollar estimates is explained in appendix V.

As mentioned in chapter 2, if eligible students receive too little Basic Grant aid, they may not be able to meet their educational costs or they may require more aid from other Federal student aid programs such as Direct or Guaranteed Loans. Increased reliance on loans having payback requirements can place a burden on those low income students who qualify for but do not receive Basic Grants because of timing problems. Also, students who do not qualify for Basic Grants but who qualify for loans may not get loans if such aid has been awarded to low income students.

If students receive excessive awards or if awards are made to ineligible students, Basic Grant program funding could be unnecessarily increased. In academic year 1975-76, OE carried over \$171.3 million from previous years' Basic Grant funds and requested another \$180.2 million from the fiscal year 1975 Basic Grant appropriation to supplement its original appropriation of \$660 million to meet requests for Basic Grants. We believe that part of the additional funding had to be requested because awards were made to ineligible students and because too much Basic Grant aid may have been awarded to some eligible students.

OFFICE OF EDUCATION EFFORTS TO VERIFY STUDENT- AND PARENT-SUPPLIED DATA

In May 1975, OE contracted with Applied Management Sciences, Inc., a management consulting firm, to verify the validity of student- and parent-supplied data on Basic Grant applications. The project had three components:

- A statistical comparison of adjusted gross income, taxes paid, and family size for over 70,000 Basic Grant recipients for whom similar information on Federal income tax returns could be compared to determine the extent,

on an aggregate basis, of misreporting in the Basic Grant program.

- The verification of 754 cases reported to OE by institutional aid officers.
- The development of procedures and verification of 1,400 1974-75 recipients (or about 0.1 percent of those persons receiving Basic Grants) selected from particular categories of application responses which were believed to be frequently inaccurate.

According to OE program officials, during the second year, 6,000 cases (or about 0.3 percent of those estimated to receive Basic Grants during that year) were validated under the established criteria and 1,100 cases were submitted to OE for followup by institutions.

The first validation effort indicated that a 16-percent discrepancy rate in reported adjusted gross income (within + \$200) existed for dependent students. The comparable rate for independent students was 35 percent. The estimated discrepancy rate for all students was 19 percent. The study results indicated that among both dependent and independent students who misreport income, there was a greater tendency to under-report than to overreport.

When Internal Revenue Service information was substituted for Basic Grant application information on adjusted gross income, taxes paid, and household size, 24.3 percent of all eligible applicants (about 21 percent of eligible dependent and about 40 percent of eligible independent) would have been eligible for lesser grants. Only 2.5 percent of eligible applicants (2 percent of dependent and 4 percent of independent) would have been eligible for larger grants. The validation effort indicated that

- household size and income discrepancies had a stronger impact than taxes paid on decreasing eligibility and
- most discrepancies in these three categories resulted in eligibility decreases.

While validation efforts such as the one discussed above may provide information on the overall validity of application data, they assess data after awards have been made and are not a substitute for an ongoing program to assure that application data is verified on an individual basis before awards

are made. OE needs to strengthen data verification procedures. A sample of the applications submitted by applicants and their parents should be examined to determine whether the information supplied is accurate. Use of income tax returns should be considered. The recommendations discussed below offer several alternatives to accomplish this.

CONCLUSIONS

Because funds available to aid needy students are limited and competition for these scarce resources is keen, the proper amounts of aid should reach the most deserving students. Adequate program controls are necessary to meet this goal.

In many cases, school records disclosed conflicting information which could have changed the amount of some grants or the eligibility of some recipients for grants. The results of our review at 19 schools suggest that millions of dollars may have been awarded nationwide to ineligible recipients. Also, thousands of students may have received Basic Grants on the basis of eligibility information which conflicted with other information in the aid files. Unless OE acts to strengthen verification measures, these problems will remain.

If eligible students receive too little Basic Grant aid, students may not be able to meet their educational costs or they may require more aid from other Federal student aid programs, such as Direct or Guaranteed Loans. Increased reliance on loans having payback requirements can place a burden on those low income students who qualify for but do not receive Basic Grants.

OE needs to strengthen its program to verify applicant- and parent-supplied financial information and to notify applicants that their eligibility for the program and the amount of their grants depend on the verification of the information. OE should also consider requiring participating institutions to review applicant- and parent-supplied financial information and to resolve inconsistencies.

RECOMMENDATIONS

We recommend that the Secretary of HEW require the Commissioner of Education to increase and strengthen actions to verify applicant information. Also, to improve the accuracy of applicant information, one or a combination of the following alternative approaches should be adopted.

1. Continue the contracted validation efforts but also require applicants and/or their parents to provide copies of Federal income tax returns, or other financial information on a sample basis, and establish specific guidelines for financial aid officers to verify eligibility information.
2. Require OE regional office personnel assigned to student assistance programs to routinely sample Basic Grant applications and compare this information with Internal Revenue Service records and/or other corroborative sources.
3. Require the Basic Grant processing contractor to verify the information in accordance with control procedures.

Regardless of the alternative selected, the Basic Grant application's certification statement, signed by the applicant and the applicant's spouse or parent(s), should be revised to specify the parties to whom the Federal income tax return should be provided when requested.

If HEW determines that financial aid officers at participating schools should verify eligibility information, a statutory amendment may be necessary to (1) provide the Commissioner of Education with the authority to require schools to perform verification and (2) designate that, if the recently authorized administrative allowance for Basic Grants becomes operational, a portion be used by the schools to perform this function.

AGENCY COMMENTS AND OUR EVALUATION

HEW agreed that it should increase and strengthen actions to verify applicant information and stated that our first suggested alternative approach was being done. Also, during the third year of the validation effort, 8,000 students would be selected for verification under the established criteria, and an additional 1,200 are expected to be referred to OE by institutions.

In addition, OE

- is developing regulations which would require institutions to review for consistency all available information as part of the financial aid award process and
- has instituted a procedure to test a pre-award verification process, in which 200 1977-78 program applicants

meeting certain criteria will be selected and the information they submit will be verified by OE's validation contractor.

If the pre-award experiment is successful, OE will consider modifying the application processing contract for the 1978-79 academic year to include the method of pre-award verification.

The actions proposed by HEW should do much to strengthen the verification procedures in the Basic Grant program. However, because OE projected 4.5 million applicants for 1977-78 grants, we believe that OE should consider increasing the number of pre-award cases to be included in their evaluation of such verification in order to reduce the sampling error.

Regarding our recommendation that the applicant's certification statement be revised to specify the parties to whom Federal income tax returns should be provided, HEW did not believe that a language change was necessary because applicants and their parents are specifically instructed as to whom the information should be sent. With regard to revising the applicant's certification statement, our concern is that applicants' and parents' income tax information must not reach unauthorized persons.

Also, because of the proposed rulemaking being considered, HEW does not believe that a legislative amendment would be necessary to give the Commissioner of Education the authority to require schools to perform verification or to designate that a portion of the authorized administrative allowance be used by schools to perform this function.

In commenting, HEW said that it was concerned that we were implying that \$117.9 million in Basic Grants had been misspent because the grants were made although there was conflicting information available in student aid files. It said that we did not attempt to determine which student aid information was correct and considered the entire amount of the grant as an overaward. In addition, because of the different data items collected by other need analysis services and the differing periods of time covered on other types of documents, HEW said that it may be very possible to have conflicting but correct information in student aid files, and therefore, they believed that the \$117.9 million is substantially inflated.

We did not mean to imply that \$117.9 million in Basic Grants had been misspent or even that Basic Grant information available in student aid files was always incorrect in those

cases where inconsistencies were found. Our point was that some types of aid including Basic Grants were awarded without resolving the conflicting information.

Regarding the differing data items collected by other need analysis services and differing time periods covered on other documents, we were careful to compare only identical items and noted conflicting information for only those cases in which the dates on which the data was submitted varied within 6 months or less--a criterion OE told us was reasonable.

CHAPTER 4

IMPROVEMENTS NEEDED IN PROGRAM ADMINISTRATION

Although the Basic Grant program has completed its fourth year, OE has not adequately examined schools' implementation of the program or their compliance with legislation and HEW regulations. The failure of some schools to comply with program regulations attests to the need for technical assistance to (1) insure that program funds are used as intended and (2) provide the information necessary for better program evaluation. Also, in the absence of program monitoring, OE has relied on its progress reporting system to assess student demand for Basic Grants. However, until academic year 1976-77, the system did not include data derived from program experience to assess the reasonableness of schools' requests for funds, and, in the past, OE was not able to make necessary funding adjustments in a timely, efficient manner.

Because OE permits participating institutions to set their own refund policies, refunds to the Basic Grant program vary from school to school. Some schools do not follow OE's formula for computing refunds to the program. Considerable differences at the 19 postsecondary schools we visited were noted in the percentage of tuition and other costs to be refunded. Also, no OE refund policies have been implemented for Basic Grant recipients attending tuition-free schools or schools using the alternate disbursement system.

OE needs to improve program administration by

- providing technical assistance to and conducting on-site reviews on a cyclical basis at participating institutions;
- improving the progress reporting system to (1) obtain data on Basic Grant recipients who withdraw from school and (2) permit more thorough evaluations of institutions' requests for funding adjustments and more timely response to these requests;
- including tests in the disbursement process to preclude duplicate payments; and
- promptly issuing revised regulations concerning Basic Grant refunds for students attending tuition-free schools and schools using the alternate disbursement system.

PROGRAM MONITORING AND TECHNICAL ASSISTANCE

Since program inception, Basic Grant program officials have made no onsite reviews of schools' administration of the program. An OE program official told us that onsite visits would have been beneficial but were not made because of the lack of staff. According to a February 1976 HEW report on program integrity in student aid programs, the entitlement feature of the Basic Grant program necessitates uniform national standards published in detailed regulations and operating procedures; however, the lack of staff has prevented monitoring to assure proper compliance with these regulations and procedures. The report also states that staffing shortages prevent OE from providing technical assistance to many schools participating in the Basic Grant program. OE is aware of some "problem" schools which have little if any experience with student aid programs and need monitoring.

Although they recognize the kind of improvements which need to be made, HEW said that staffing has not permitted it. For example, they said that program expenditures have increased from \$49 million in 1973-74 to an estimated \$1.5 billion in 1976-77 and recipients increased from 185,000 to an estimated 1.9 million for those years; during the same period staffing increased from 40 to 85.

Staff at HEW regional offices has not been available. The fiscal year 1977 HEW appropriation is sufficient to permit an increase of 47 staff positions. Senate Report No. 997, 94th Cong. (1976) suggested that these positions could be more effective in disclosing fraud and abuse if the positions were assigned to the regions. However, there is some question about when these positions will be staffed and what role the regions will play. For example, OE has not yet determined whether regional office staff will be authorized to make onsite visits and take appropriate actions even though this function has been performed previously by regional staff for other OE student aid programs. OE program officials told us that if these positions are staffed, plans call for 10 regional office staff members to administer Basic Grants.

Limited financial and compliance reviews

In September 1974, the HEW Audit Agency drafted audit guidelines for the Basic Grant program. As of August 15, 1977, these guidelines were not available for use by public accounting firms and State auditors who review Federal student aid programs at institutions. Since inception of the Basic Grant program, HEW auditors, public accounting firms, and State agencies have

conducted audits at about 370 postsecondary schools. As of June 1976, exceptions noted in 43 of these audits had been resolved. The audits indicated that a significant number of institutions did not adequately understand the Basic Grant regulations and procedures, resulting in awards to ineligible students and other improper expenditures of funds.

An HEW Audit Agency official told us that the audits had been made to test the feasibility of the audit guidelines and that the public accounting reviews had been mainly limited to financial transactions. Considering that over 4,300 postsecondary schools participated in the Basic Grant program in academic year 1974-75 and about 4,900 participated in 1975-76, audit coverage has been limited.

Weaknesses indicating a need
for improved technical assistance

At the 19 postsecondary schools reviewed, we noted the following instances of lack of compliance with program criteria and the need for improved technical assistance and program monitoring:

- Ten schools did not follow OE's formula for computing Basic Grant refunds when students withdrew from school.
- Three schools were unable to provide Basic Grant disbursement progress reports which reconciled with disbursements shown on other school accounting records.
- Two schools had improperly calculated and disbursed some Basic Grants; one of these had inadequate accounting procedures and controls.
- Two schools had used financial aid packaging procedures which appeared to create monetary hardships for students because of the heavy reliance upon loans in the aid packages.
- One school had not complied with Basic Grant program regulations in computing students' cost of education. This school did not adhere to its own refund policy and maintained inadequate student withdrawal records, all of which made it difficult to determine whether refunds had been properly made.

These problems point to the need for OE to provide technical assistance to participating institutions.

THE INSTITUTIONAL REPORTING PROCESS

OE's institutional reporting process requires schools to:

- Submit three progress reports annually and, if necessary, additional ones on an ad hoc basis, which show the number of Basic Grant recipients and the amount of disbursements. These are used to adjust the school's authorized funding.
- Use the annual student validation roster supplied by OE to (1) verify each recipient's enrollment status and award amount and (2) reconcile the roster with the disbursements on student eligibility reports, and with school progress reports and accounting data.

The school uses the eligibility reports received from students to compute the actual Basic Grant awards for the students. The eligibility report also serves as the means of documenting disbursements to OE. The school accumulates eligibility reports and sends them to OE with each progress report on October 31, February 28, and June 30. After an academic year is completed, OE prepares student validation rosters based on student eligibility reports submitted by each school. The rosters, which list each recipient and their award amounts, are then provided to schools so that they can revise the information to take into consideration changes in student enrollment and grant amounts and return the roster to OE. OE then attempts to reconcile progress report data with data on the corrected validation rosters.

OE needs to improve the progress reporting system

In the absence of onsite program monitoring, OE has relied on its progress reporting system to assess student demand for Basic Grants and the need to adjust schools' funding ceilings. Because, in most instances, institutions act as disbursing agents and all eligible students are entitled to receive Basic Grants, the amount of funds made available to each school depends on the actual Basic Grant demand at the institution. Therefore, adjustments in the amount of funds to each school are made throughout the year according to student demand.

As recognized in the HEW report on integrity in student aid programs, the system for processing institutional authorizations does not make the necessary adjustments in a timely

and efficient manner. Consequently, the combination of growing institutional pressure to release increased Basic Grant funding authorizations to meet students' needs and the inability of OE's processing system to make appropriate adjustments has resulted in OE being unable to provide adequate review and monitoring of these requests.

According to HEW, between 15,000 and 16,000 progress reports were received by OE during academic year 1975-76. The aforementioned HEW report also stated that the lack of program monitoring makes it difficult to insure that institutions do not inflate grant requests in order to receive more funds than are necessary to pay enrolled students and that they do not use grant funds to draw students into their school.

The reporting system has not provided OE with sufficient timely and accurate information which can be used to assess the need for funding and for

- assuring that grants reported by schools were actually awarded to students,
- reconciling school-reported disbursements with those shown on school accounting records, or
- assuring that students do not receive duplicate awards.

Schools do not require signed receipts from students showing that grants were actually awarded even though program regulations require a receipt when payment is made by credit to the student's account. Furthermore, the validation rosters have been ineffective in reconciling school disbursements and assuring that students are not receiving duplicate grants. OE has not promptly provided the rosters to schools nor has it completed reconciliation when the schools returned the rosters.

For example, academic year 1973-74 rosters were provided to the schools in December 1974, about 6 months after the close of the year. By March 1976, according to OE, academic year 1973-74 disbursements were reconciled for only 800 of the 2,600 participating institutions because of the volume of work related to subsequent years' program operations and financial aid officials' unfamiliarity with program reporting. According to OE, these aid officials had difficulty in reconciling progress report data with data on the validation rosters because of improper award calculations. Furthermore, of the 3,979 academic year 1974-75 rosters, which OE should have provided to schools by September 1975, 3,892 were mailed

between March and October 1976. The remaining 87 were mailed after November 1976. OE program officials attributed these delays to lack of staff and problems with the contractor responsible for Basic Grant disbursements. Problems included computer difficulties and the inability to produce an accurate list of recipients.

Another problem is that students may submit more than one application, each of which is treated individually without being cross-checked to determine whether the applications contain consistent information. No determination is made at this time concerning whether an applicant is already receiving a Basic Grant; therefore, the potential exists for duplicate payments. OE's reporting system has not provided timely and accurate information which can be used to detect duplicate payments during the academic year. Therefore, duplicate payments could go undetected for at least several months after the end of a given academic year, at which time duplicate payments might be detected by the duplicate social security number report which is a part of the student eligibility report subsystem. The report is used to identify data processing errors; reporting mistakes by applicants; and attempts by students or institutions to obtain duplicate grants. If duplicate payments are allowed to go undetected until several months after the end of the academic year, contacts with and collection of improper duplicate payments from these students might be more difficult.

Of 14,873 randomly selected OE computer records, 433 recipients were listed as receiving 2 or more grants in academic year 1974-75. However, we could not confirm that duplicate grants had been awarded because OE had not furnished validation rosters to the schools at the time of our visits. Not all multiple grants are inappropriate because some students attended more than one school during the year. Also, a number of the grants may not have been disbursed to students because the records for 121 recipients contained identical information due to keypunch errors. Although we were unable to verify whether duplicate grants had been awarded, the potential for duplicate awards exists. To prevent multiple grants, OE should submit validation rosters to the schools in a timely manner and should build checks into its system to prevent multiple grants. OE program officials told us they need to establish controls when students submit their eligibility reports to the school.

BASIC GRANT REFUND POLICY

According to OE regulations, schools are required to reimburse the program for part of any refunds due students who drop out. Schools are required to reimburse the program only when its normal policy dictates that a refund of tuition or other costs is due the student. Schools set their own policies for determining refunds. Once the refund is calculated, an OE formula is used to determine the portion to be restored to the Basic Grant account.

The following example of a refund computation was taken from the Basic Grant program guide. The institution's policy requires that 55 percent of the amount paid to the institution by the student be refunded. The total cost to attend the institution is \$2,500. The student has paid \$1,900 consisting of a \$100 Basic Grant and other resources of \$1,800. The refund due the student and the Basic Grant program is computed as follows.

	Total refund	=	\$1,900 x 0.55	=	\$1,045.00
Less:	Refund due the Basic Grant program	=	\$ 100		
			-----	x \$1,045	= \$ <u>41.80</u>
			\$2,500		
	Net refunded to the student			=	<u>\$1,003.20</u>

Because schools set their own refund policies, refunds to the Basic Grant program vary from school to school. Some schools we visited did not use OE's formula for determining the portion of refunds to be restored to the Basic Grant account because they misunderstood it, disagreed with it, were unaware of it, or encountered situations the formula failed to address. Therefore, they used different methods to compute refunds, which often resulted in over- or understated refunds. In other situations refunds were not calculated. We reported these problems to the Commissioner of Education in a letter dated March 11, 1976.

In April 1976 the Commissioner replied that our findings were pertinent and said that existing refund policies and program regulations were being revised. As of July 1977, proposed regulations had not been issued. OE program officials said issuance had been delayed because other portions of the program regulations required changes and they wanted to issue only one set of proposed regulations.

In our sample of 772 Basic Grant recipients in 1974-75, we found that 90 students withdrew during schools' refund periods. Our tests showed that for 84 of these students refunds had been improperly calculated. In 31 cases, refunds totaling \$3,577 were overstated; in 53 cases refunds totaling \$2,280 were understated.

We noted considerable differences at the 19 postsecondary schools we visited in the percentages of tuition and other costs refunded. The following table shows the percentages of tuition and other refundable costs by 13 schools during the first 6 weeks of attendance. No refunds were made at these schools after the sixth week. The remaining schools did not express their refund policies in terms of weeks of attendance.

Percent of tuition and other refundable costs	First week	Second week	Third week	Fourth week	Fifth week	Sixth week
100	5	2	-	-	-	-
90	2	1	-	-	-	-
80	3	3	-	-	-	-
75	2	3	-	-	-	-
70	1	-	2	-	-	-
60	-	3	2	2	-	-
50	-	1	3	2	-	-
40	-	-	3	1	1	-
30	-	-	-	-	1	-
25	-	-	1	1	-	-
20	-	-	-	3	1	1
10	-	-	-	-	-	1
0	-	-	2	4	10	11
Total	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>

The longer the schools' refund period, the longer the period that a portion of a student's Basic Grant will be returnable to the program. The larger the percentage of tuition and other costs refunded, the larger the portion of a student's Basic Grant returnable to the program.

OE has not issued Basic Grant refund policies applicable to students attending tuition-free schools and schools electing not to act as OE's disbursing agent for Basic Grants. As a result, refunds to the program for students at these schools have not been collected.

At tuition-free schools, many students use Basic Grants primarily for living expenses. At the one tuition-free school we visited, the financial aid office identified seven recipients who withdrew during the first 6 weeks of the 1975-76 academic year. The school, which did not have a refund policy, did not consider itself responsible for securing reimbursements from these students and planned no action other than giving OE their names. In the fall of 1974, 1.1 million students were enrolled in tuition-free 2-year community colleges in California alone. Because of this, OE needs to establish a Basic Grant refund policy for students attending such schools.

Also, an increasing number of students are receiving Basic Grants directly from OE because schools have decided not to act as disbursing agents. In the 1975-76 academic year, OE disbursed directly an estimated \$6 million to approximately 8,000 students--a substantial increase over the \$168,800 to 630 students in 1973-74. According to the HEW report on integrity in student aid programs, the alternate disbursement process is more susceptible to abuse by both institutions and students because OE is physically removed from students and the institutions.

OE has recognized the need for a more definitive Basic Grant refund policy and in July 1976 drafted changes in program regulations, which should improve the situation. Specifically, the proposed regulations include a formula for computing refunds for students attending schools using the alternate disbursement system and would prohibit cash disbursement of Basic Grants until after the student begins classes unless the institution requires advance cash payment of certain costs. If OE required monthly rather than twice per term disbursements for those institutions which make cash disbursements of Basic Grants to their students, it could preclude the need to recover large sums from students who drop out.

CONCLUSIONS

OE needs to improve its administration of the Basic Grant program by increasing technical assistance to and conducting onsite reviews of participating institutions. The failure of some schools to comply with program regulations attests to the need for such assistance to (1) insure that program funds are used as intended and (2) provide information necessary for better program evaluation.

As part of this effort, OE could improve the program's reporting system by

- requiring schools to maintain current, accurate, and complete program information so that OE and independent auditors can readily verify Basic Grant disbursements;
- including tests to identify students who submit multiple applications to preclude duplicate payments to them; and
- providing data on dropouts in order to measure the program's impact in assisting needy students to continue their postsecondary education and to test schools' refund policies.

Because OE, in conformance with program regulations, permits schools to set their own refund policies, refunds to the program vary from school to school. The lack of technical assistance and onsite reviews at participating schools has resulted in improperly calculated refunds. OE's refund policy does not cover students attending tuition-free schools and schools using the alternate disbursement system. As a result, refunds due the Basic Grant program from these students have not been collected. OE is developing changes in program regulations to address these problems.

RECOMMENDATIONS

We recommend that the Secretary of HEW direct the Commissioner of Education to:

- Improve Basic Grant technical assistance to participating institutions and conduct onsite program reviews on a cyclical basis at these schools.
- Require the program's reporting system to obtain data on Basic Grant recipients who drop out.
- Include tests in the disbursement process to preclude students from receiving improper duplicate payments.
- Strengthen efforts to obtain refunds from students who have withdrawn from tuition-free schools and schools using the alternate disbursement system. A first step would be to issue promptly the regulations establishing a Basic Grant refund policy covering students at such schools.

AGENCY COMMENTS AND OUR EVALUATION

HEW concurred with our recommendation to improve technical assistance to and conduct onsite program reviews at schools participating in the Basic Grant program. In this context, on June 25, 1976, OE proposed a plan to reduce fraud and abuse in its student aid programs. The plan calls for regional staff to schedule and conduct onsite program reviews at each participating institution at least once every three years for purposes of providing technical assistance. Headquarters staff would conduct reviews at "problem schools"--schools at which a significant amount of management assistance is required and schools which need to be visited on an emergency basis.

HEW did not agree with our recommendation to collect information on students who drop out. It said that apparently we were examining the impact of the Basic Grant program in both providing access to higher education and keeping students in school to complete their course of study. They said that this issue is not restricted to Basic Grants, but covers almost all aspects of postsecondary education, including such factors as academic ability, motivation, employment opportunities, and family emergencies. To attempt to relate Basic Grant recipients alone with retention without looking at these other factors would appear to be a futile exercise which would not lead to any definitive conclusions.

HEW also said that this recommendation appears to violate the Presidential order to reduce the reporting burden on institutions in order to gain information of limited value. The existing program reporting system collects information on the amount of funds which were paid to students but returned to schools' Basic Grant accounts and the number of applicants from whom such recoveries were obtained. HEW said that, in most cases, it can be assumed that these are dropouts and the recovered funds represent refunds returned to the Basic Grant program, but that to insure that these recoveries are the result of students dropping out and to be able to determine why they dropped out would require making each school submit a detailed report on each student.

Although HEW believes that information on Basic Grant recipients who drop out would be of limited value, we do not agree. We believe that this information would be useful to institutions and to the Congress and that it could, if used properly, provide valuable information to OE officials responsible for all of the student assistance programs and not just Basic Grant officials. For example, reports on dropouts might

provide information on (1) schools' financial aid and recruiting practices, (2) schools' adherence to OE refund requirements, and (3) changes in the administration of OE's student aid programs, which might reduce the number of dropouts and make student aid more successful. We believe that the Congress should be made aware of the reasons why students drop out, such as unsatisfactory progress or lack of sufficient funds in student-aid packages, as a basis for future decisions on student assistance.

We agree that this issue is not restricted to the Basic Grant program. The program is OE's largest in terms of annual appropriations, and OE projected that it would have 4.5 million applicants for academic year 1977-78. It was also established to provide access to postsecondary education to low and middle income students. Most students who receive Basic Grants also receive some other forms of aid. For these reasons, we believe that the Basic Grant program is well suited to gathering information on dropouts and their reasons for dropping out. This information could be provided by schools with their June 30 progress reports.

HEW also did not agree that separate tests should be built into the disbursement process to detect duplicate payments. HEW stated that duplicate payments would be identified in the duplicate social security number report. They said that since the program's inception no case of duplicate payments has been brought to the attention of the program staff. However, they believe that student validation rosters could be delivered sooner to provide better verification of information and said that plans to implement this for academic year 1977-78 are in process.

Although HEW's goal of issuing validation rosters sooner should assist in the process of detecting duplicate payments, we do not believe that it is sufficient. During discussions with an OE official familiar with the duplicate social security number report, he admitted that the report has not been produced as frequently as it should have been nor has it been timely. He said that students could receive duplicate payments before OE has had a chance to resolve transactions appearing on the report. Since OE's reconciliations are made long after the end of the academic year, we believe that system checks should be incorporated to reveal potential duplicate payments before the academic year ends and possibly contacts with students become more difficult.

HEW concurred in the need to strengthen efforts to obtain refunds from students who have withdrawn from tuition-free

schools and schools using the alternate disbursement system and has initiated action in this regard. However, HEW said that we criticize it for allowing schools to use their own refund policies when it has only limited legislative authority to do otherwise.

Our criticism regarding Basic Grant refund policies was in regard to the lack of a policy for tuition-free schools and schools using OE's alternate disbursement system and to the failure of OE to insure that schools followed those requirements which OE has established for computing refunds. We noted several examples where schools did not adhere to OE's refund policy requirements and some cases where schools did not adhere to their own refund policies.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20201

August 12, 1977

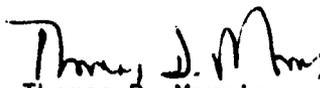
Mr. Gregory J. Ahart
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Improvements Needed in the Basic Educational Opportunity Grant Program." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,


Thomas D. Morris
Inspector General

Enclosure

Comments of the Department of Health, Education and Welfare on the
General Accounting Office Draft of Proposed Report Entitled "Improvements
Needed in the Basic Educational Opportunity Grant Program."

OVERVIEW

First, as an overall statement, we agree with GAO that there are a number of improvements needed in the Basic Grant program. In fact, many of the critical areas where improvement is needed were pointed out to the GAO staff during the course of their review.

In addition to the Departmental response to the specific recommendations included in the GAO report, we wish to make the following comments in order to put the findings and conclusions reached by GAO into proper perspective

Staffing Constraints

While the report emphasizes the rapid growth of the program, it does not discuss the fact that the severe staffing constraints in the Division of Basic Grants, as indicated in the table below, has prohibited the program staff from undertaking the kinds of improvements they have always known had to be made. The relatively small staff has worked hundreds of hours of paid overtime per pay period for the last several years simply to ensure that the most critical program activities are performed.

[See GAO note 1, p. 54.]

Timing of Study and Subsequent Program Actions

The GAO report primarily deals with the 1974-75 academic year which was the second year of operation of the Basic Grant program. At that time both OE and the postsecondary community were in a "learning process" with respect to the program. In almost all of the aspects of the program covered by the report, significant improvements have already been made in audit resolution, validation issues, student rights and in training efforts. We anticipate continual improvements each year.

Discrepancies in Student Aid Files

The GAO report includes an estimate that as much as \$117.9 million in Basic Grant funds were awarded on the basis of eligibility information which was conflicting with other information in institutional student aid files. This estimate may lead those unfamiliar with student aid procedures to the conclusion that the Basic Grant information was wrong and, therefore, almost \$118 million was misspent. This is not the case. In preparing their report, the GAO staff did not attempt to determine which student aid data were correct and considered the entire amount of the grant as an overaward. However, many studies have shown that Basic Grant data is more likely to be valid than data collected for other student aid programs. In addition, because of the different data items collected by other need analysis services and the differing periods of time covered on other types of documents, it may be very possible to have conflicting (but still correct) information in student aid files. Therefore, we feel that the figure of \$117.9 million is substantially inflated.

Coordinated Student Aid Delivery Mechanism

While we agree with GAO that Basic Grants was frequently not the foundation of a student's financial aid package in the past, this situation has changed. Most institutions and State scholarship agencies require students to file for a Basic Grant before they are considered for other aid. Also, with respect to the campus-based programs (the Supplemental Educational Opportunity Grant, the College Work-Study and the National Direct Student Loan Programs) proposed regulations require schools to consider Basic Grant eligibility before awards from these sources of aid are awarded.

Finally, the move toward a coordinated student aid delivery mechanism and calendar is already underway. On May 23, 1977 the Secretary announced that OE is adopting a new approach to the process by which students apply for financial aid. Under this process, students can apply for

Basic Grant assistance by filing a form used by the College Scholarship Service, the American College Testing Program, and some State scholarship agencies. These agencies will then transmit those data required to calculate a Basic Grant eligibility index to the prime Basic Grant processing contractor for actual computation and notification to students. A critical part of this process is that all "secondary" contractors have agreed to distribute their forms for 1978-79 no earlier than December 1 and begin processing no earlier than January 1. Therefore, for the 1978-79 academic year, there will be a coordinated and synchronized delivery mechanism in place.

Refund Policies

GAO's report criticizes OE for "allowing" schools to use their own refund policy. OE has very limited legislative authority to do otherwise. The Conference Committee on the Education Amendments of 1976 (P.L. 94-482) considered and rejected the concept of authorizing the Commissioner of Education to set specific criteria for "fair and equitable" refund policies. The Conference Committee report, describing a new requirement that institutions publish information about their refund policies, stated that the conferees "...do not intend this new requirement to be used to justify federal regulations specifying the exact criteria institutional refund policies must meet." The refund policy provided for in the Guaranteed Student Loan regulations illustrates the limited authority OE has in this area.

Estimation Procedures

It should be noted, when reviewing the cost estimating procedures employed by the Basic Grant program, that there are a considerable number of essentially subjective factors affecting the accuracy of cost estimates. Utilizing program experience is one valid means for estimating costs, but will not totally remove all elements of risk from the estimation process.

Validation of Student Reported Information

There are a number of points raised in the GAO report with respect to this matter which need clarification. First, on pages (25 and 26) there are references to two validation studies conducted by OE. In fact, these were not studies but on-going validation efforts. In the first year, a three-part effort was undertaken: a statistical comparison of the data reported on the Basic Grant application by (70,000) recipients with that reported to IRS; the development of procedures and actual verification of 1400 1974-75 Basic Grant recipients selected on the basis of pre-established criteria designed to identify those applicants who were most likely to misreport; and, the verification of 75+ cases reported to OE by institutional aid officers. During the second year, 6000 cases were validated under the pre-established criteria and 1100 cases were submitted to OE for follow-up by institutions.

In addition, GAO cites the relatively small number of cases referred by institutions to OE for follow-up. While the Program has no hard statistical data on the number of times institutional aid officers question conflicting information provided by students, information from school officials indicates that the majority of these cases are resolved at the institutional level and, therefore, there is no need to refer them to OE for resolution.

[See GAO note 2, p. 54.]

GAO RECOMMENDATION

We recommend that the Secretary of HEW direct the Commissioner of Education to improve the accuracy of estimates for basic Grant funding by more extensive use of information available from program experience.

DEPARTMENT'S COMMENT

We concur. The Basic Educational Opportunity Grant Program is initiating a number of actions which are designed to provide program data in support of developing cost estimates. Specifically, the program staff is planning, with contract assistance, to merge the applicant data files with the award recipient data base for the 1975-76 and 1976-77 academic years. The combined data files will permit a thorough comparative analysis of applicant and award recipient characteristics and provide an improved basis for verifying program cost estimates derived from the cost projection model. Based on present planning, we expect the interim file merge and the production of an initial set of program statistics to be accomplished by August 15.

Long range program plans call for the establishment of a comprehensive tracking system for all basic Grant recipients from which historical program statistics will be produced on a routine basis. In the meantime, the interim effort will improve the accuracy of the cost estimates for the coming 1979 budget process.

In addition, the program staff plans to again review and update the data base in the projection model itself. As part of this activity, they expect to incorporate program data in the model data base to improve the quality of information on which the cost estimates are based. Also, the economic indicators used in the model will be updated.

These economic assumptions will be reviewed with appropriate staff within HEW as well as representatives from OMB, the Congressional Budget Office and the Congressional Reference Service of the Library of Congress, for purposes of obtaining general agreement on data assumptions made in the projection model. It is expected that the review of the model data base will be completed by September 30. Subsequent to this date, the program staff plans to up-date cost estimates on a quarterly basis, to reflect any changes in economic conditions as well as any other data changes which affect the validity of cost estimates.

GAO RECOMMENDATION

We also recommend that the Secretary direct the Commissioner to provide students with application materials containing information about the Basic Grant Program with greater emphasis on its entitlement and student-based features. Moreover, the Commissioner should assess periodically the impact of the program's outreach efforts to determine whether students are aware of the program before they initially enroll in postsecondary education.

DEPARTMENT'S COMMENTS

We do not concur that it is necessary or appropriate to provide additional or revised Basic Grant application materials which emphasize the entitlement and student-based aspects of the program. The general instructions in the application form are reviewed and revised each year to ensure that as much information is provided to students as is possible on numerous aspects of Basic Grants. In addition, for the 1977-78 academic year, approximately 2.5 million students will apply for Basic Grants by filing need analysis documents used by other services and agencies. Therefore, the amount of Basic Grant general information which can be included in these other forms is restricted. In addition, the publication and distribution of the Student Guide emphasizes the entitlement and student-based aspects of the program and is distributed to all high schools and postsecondary schools. It should also be noted that the availability of the Student Guide is included in the 1977-78 Basic Grant application materials and will also be included in the 1978-79 forms used by both Basic Grants and other agencies participating in the new processing approach announced by the Secretary.

With respect to the recommendation that OE undertake a separate assessment of the Basic Grant outreach efforts on a periodic basis, we agree that this activity may be useful as part of a comprehensive assessment of the management effectiveness of the program, but do not believe that a separate effort of this nature is either necessary or the best use of limited staff resources.

OE is currently working with two major national need analysis services in the development of an "early notification" system to inform high school students (in the 11th grade or lower) of their potential eligibility for all types of student aid resources.

We believe this type of activity meets the concerns expressed by GAO without significantly (and unnecessarily) increasing the workload of the program staff.

GAO RECOMMENDATION

We recommend that the Secretary of HEW require the Commissioner of Education to increase and strengthen actions to verify applicant information. Also, one or a combination of the following alternative approaches should be adopted to improve the accuracy of applicant information:

- (1) Continue the contracted validation efforts but also require applicants and/or their parents to provide copies of Federal income tax returns, or other financial information, on a sample basis, and establish specific guidelines for financial aid officers to verify eligibility information.
- (2) Require OE Regional Offices personnel assigned to student assistance programs to routinely sample basic Grant applications and compare information with Internal Revenue Service records and/or other corroborative sources.
- (3) Require the Basic Grant processing contractor to verify the information in accordance with control procedures.

Regardless of the alternative selected, the basic Grant application's certification statement, to be signed by the applicant and the applicant's spouse or parent(s), should be revised to specify the party(ies) to whom the Federal income tax return should be provided when requested.

If HEW determines that financial aid officers at participating schools should verify eligibility information, a statutory amendment may be necessary to (1) provide the Commissioner of Education with the authority

to require schools to perform verification and (2) designate that a portion of the recently authorized administrative allowance be used by the schools to perform this function.

DEPARTMENTS COMMENTS

We concur that OE should increase and strengthen actions to verify applicant information. GAO's first suggested alternative approach is, in fact, being done now. During the third year of the validation effort, 8,000 students will be selected for verification under the pre-established criteria, and an additional 1,200 are expected to be referred to OE by institutions.

OE is also in the process of developing regulations dealing with the new legislative requirement that the Commissioner establish standards for administrative capability and fiscal responsibility in order for a school to be determined eligible for any programs authorized under Title IV of the Higher Education Act of 1965, as amended. One of the requirements which is being proposed is that institutions must review for consistency, all information normally available to it as part of its regular financial aid award process. Proposed Basic Grant program regulations will provide specific instructions on procedures institutions must follow when discrepancies are discovered. Basically, these proposed regulations will parallel the suggested procedures included in the 1976-77 Basic Grant Handbook which was distributed to all postsecondary financial aid offices.

In addition to proposing regulations, OE is also planning an experimental pre-award verification process. This process will involve selecting 200 1977-78 applicants who meet certain pre-established criteria.

Information related to these 200 individuals will be verified by our current validation contractor to determine the accuracy of the information provided. If it appears that this activity is successful, the Office of Education intends to consider modifying the application processing contract for the 1978-79 academic year to include this method of pre-award verification.

With respect to that part of the recommendation concerning the submission of Federal income tax information, OE does not believe that a language change is necessary on the application form. In all cases where such information is requested, the applicant or his parents are specifically instructed as to whom the information is to be sent.

With respect to the final part of the recommendation, in light of proposed rulemaking being considered, it does not appear that the suggested legislative amendment will be necessary.

GAO RECOMMENDATION

We recommend that the Secretary, HEW, direct the Commissioner of Education to improve Basic Grant technical assistance to participating institutions and implement on-site program reviews to be conducted on a cyclical basis at these schools.

DEPARTMENT'S COMMENT

We concur. OE is well aware of the critical need for conducting on-site program reviews to all participating institutions on a cyclical basis. In this context, on June 25, 1976, the Bureau of Postsecondary Education proposed a plan to reduce fraud and abuse in the OE sponsored student aid programs which was included in the FY 1977 appropriation and FY 1977 Supplemental Appropriation for OE.

Essentially, this plan calls for regional staff to schedule and conduct on-site program reviews at each participating institution at least once every three years for purposes of providing technical assistance. Central office staff would then be free to conduct in-depth reviews at "problem schools", schools at which a significant amount of management assistance is required, and schools which need to be visited on an emergency basis.

GAO RECOMMENDATION

We recommend that the Secretary, HEW, direct the Commissioner of Education to require the program's reporting system to obtain from participating schools data on Basic Grant recipients who drop out.

DEPARTMENT'S COMMENTS

We do not concur. GAO is apparently examining the impact of the Basic Grant Program in both providing access to higher education and keeping students in school to complete their course of study. This question is not one which is restricted to Basic Grants. Rather it is a very complicated issue which covers almost all aspects of postsecondary education, including such factors as academic ability, motivation, employment opportunities, and family emergencies. To attempt to relate Basic Grant recipients alone with retention without looking at these other factors would appear to be a futile exercise which would not lead to any definitive conclusions.

Further, this recommendation appears to violate the existing Presidential order to reduce the reporting burden on institutions in order to gain information of limited value. The existing program reporting system does collect information on the amount of funds which were paid to students but returned to the Basic Grant account at the school and the number of applicants from whom such recoveries are obtained. In most cases, it can be assumed that these are drop outs and the recovered funds represent refunds returned to the Basic Grant Program. However, in order to determine whether or not these recoveries are actually as a result of students dropping out and determining why these drop outs occurred (which is implied by GAO), the Basic Grant Program would have to request each school to submit a detailed report on each student.

GAO RECOMMENDATION

We recommend that the Secretary, HEW, direct the Commissioner of Education to include tests in the disbursement process to preclude students from receiving improper duplicate payments.

DEPARTMENT'S COMMENTS

We do not concur that separate tests should be built into the disbursement process. Potential duplicate payments are presently identified in the Roster subsystem on the "Duplicate Social Security Number Report".

While GAO's report speaks to the potential for students receiving duplicate awards, the underlying assumption is based upon the fact that students can submit more than one application and receive an additional Student Eligibility Report. Receiving duplicate awards and submitting additional application forms are very different. A student may submit more than one application for any number of legitimate reasons.

Similarly, a student could also obtain a duplicate Student Eligibility Report for a variety of legitimate reasons. Therefore, the fact that a student has more than one transaction on file does not mean that the student is receiving awards at more than one school. In fact, since the Program's inception, not one case of a student receiving duplicate payments has been brought to the attention of the program staff.

However, we believe the timeliness of the delivery of the Student Validation Roster can be improved to provide better verification of information. The Program intends to implement a more timely validation process for academic year 1977-78. Since approximately 60% of all Student Eligibility Reports (SERs) are received with the October 31st Progress Reports from the institutions, priority will be given to these to generate Rosters for delivery in May. Institutions would then be required to validate the Roster and submit it, with copies of SERs for non-reported students, to OE with the June 30th Progress Report, automatically balancing the fiscal account.

GAO RECOMMENDATION

We recommend that the Secretary, HEW, direct the Commissioner of Education to strengthen efforts to obtain refunds from students who have withdrawn from tuition-free schools and schools using the Alternate Disbursement System. A first step would be to issue promptly the regulations establishing a Basic Grant refund policy covering students at such schools.

DEPARTMENT'S COMMENT

We concur. The Office of Education is strengthening its efforts in this area, and has taken the first step suggested by GAO.

The issues inherent in this recommendation involve the apportionment among aid accounts of any institutional refund due to the student and/or the aid account, and also repayment by the student of amounts which had been disbursed directly to him to meet living expenses.

The Office of Education is planning to publish Notices of Proposed Rulemaking and, after appropriate review and public comment, they will be published as final regulations.

- GAO notes:
1. Deleted comments pertain to matters presented in the draft report but revised in this final report.
 2. Deleted comments pertain to matters which, in subsequent discussions, HEW agreed were not pertinent to this final report.

APPENDIX II

APPENDIX II

OFFICE OF EDUCATION
 OVERVIEW OF STUDENT AID PROGRAMS
 FISCAL YEARS ENDED JUNE 30, 1973, 1974, AND 1975

Program	Authorized activities	Eligibility	FY 1973		FY 1974		FY 1975	
			Funding (millions)	Recipients (note a)	Funding (millions)	Recipients (note a)	Funding (millions)	Recipients (note a)
Basic Educational Opportunity Grant Program	Foundation for all Federal student assistance; provides aid directly to students; pays when fully funded \$1,400 (\$1,800 for program year 1978-79) minus the family contribution, or 1/2 of the cost of instruction, whichever is less.	All students are eligible subject to the family contribution.	\$ 122.1	185,249	\$ 475.0	573,403	b/\$ 660.0	b/1,300,000
Supplemental Educational Opportunity Grant Program	Allots funds, based on State allocations, to postsecondary schools for student aid.	Primarily for students with "exceptional financial need."	210.3	331,541	210.3	b/395,958	240.3	b/400,000
College Work-Study Program	Allots funds (80% Federal, 20% institutional) by State formula to postsecondary schools.	Primarily for students with "greatest financial need."	270.2	567,000	270.2	570,000	420.0	b/575,000
National Direct Student Loan Program	Allots funds (90% Federal, 10% institutional) by State formula to postsecondary schools.	Primarily for students with financial need met by other sources.	293.0	635,457	298.0	b/667,097	332.0	b/682,000
Guaranteed Student Loan Program	Provides for private loans to students with guarantees by the Federal Government for default.	All students are eligible who can show need beyond Basic Grants.	291.6	b/1,088,286	398.7	979,000	580.0	b/990,401
State Student Incentive Grant Program	Provides Federal and State funds (50-50 basis) to encourage States to establish or expand student aid programs.	Primarily for students with "substantial financial need."	-	-	19.0	76,000	20.0	80,000
			<u>\$1,187.2</u>	<u>2,807,533</u>	<u>\$1,671.2</u>	<u>3,261,458</u>	<u>\$2,252.3</u>	<u>4,027,401</u>

a/Programs are forward funded (i.e., fiscal year appropriations are for use in succeeding fiscal year.)

b/Estimated.

c/Students who participated in more than one program are counted under each program.

DETAILS ON BASIC GRANT FUNDING AND AWARDS
FOR ACADEMIC YEARS 1973-74 THROUGH 1976-77

	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>	<u>1976-77</u>
Appropriations (millions)	\$122.1	\$475	\$ 660.0	a/\$ 523.3
Carryover	-	54	171.3	-
Supplemental appropriations	-	-	180.2	791.0
Total (millions)	<u>\$122.1</u>	<u>\$529</u>	<u>\$1,011.5</u>	<u>\$1,314.3</u>
Expenditures (millions) (note b)	\$49.9	\$356.5	\$1,011.5	\$1,526.0
Number of recipients (note c)	185,249	573,403	1,300,000	d/1,931,000
Average grant	\$269	\$621	\$778	d/\$790
Maximum grant allowable	\$452	\$1,050	e/\$1,400	e/\$1,400

a/Excludes \$180.2 million 1975-76 supplemental appropriations and \$11.5 million administrative allowance.

b/Does not include expenditures to students through the alternate disbursement system. (Students receive awards directly from OE if they are attending schools which choose not to act as OE's disbursing agent.)

c/The rapid increase in the number of recipients is due in part to the program's phase-in. In 1973-74 only freshmen were eligible to participate; sophomores were added in 1974-75, juniors in 1975-76, and seniors in 1976-77. Also, in 1975-76, students enrolled on at least a half-time basis became eligible.

d/Estimated amount.

e/Maximum grant established by the Higher Education Act, as amended, for program years 1975-76 and 1976-77. The same act increases the maximum grant to \$1,800 in 1978-79.

Source: Office of Education.

INFORMATION USED IN SELECTING POSTSECONDARY SCHOOLS

Postsecondary school	State	Undergraduate enrollment 1974-75 (note a)	Undergraduate enrollment 1975-76 (note b)	Number of 1974-75 Basic Grant recipients (note c)	Other aid recipients 1974-75 (note c)	Basic Grant expenditures 1974-75	Publicity questionnaire Universe	Publicity questionnaire Sample
2-year public:								
Knox County College	NJ	6,650	7,836	2,943	4,646	\$1,808,692	7,814	60
West San Antonio College	CA	7,282	21,332	704	1,046	363,913	22,100	170
San Antonio Union Jr. College District (note d)	TX	13,993	29,681	2,257	3,996	1,323,101	20,592	220
Total		27,925	58,849	5,904	9,688	3,495,706	50,506	450
2-year private:								
Don Bosco Tech Institute	CA	271	259	37	43	17,692	276	5
Peirce Junior College	PA	841	1,534	198	238	134,508	1,533	12
Southwestern Christian College	TX	290	351	151	221	116,571	250	5
Total		1,402	2,144	386	502	268,771	2,059	22
4-year public:								
California State University/Long Beach	CA	14,779	15,854	657	1,814	414,390	8,001	62
Northern Illinois University	IL	14,342	15,509	833	2,525	597,551	7,865	61
Pennsylvania State University	PA	41,274	43,007	2,977	9,829	1,626,856	25,385	255
Texas Southern University	TX	4,322	5,229	1,860	2,066	788,382	4,638	36
University of Wisconsin	WI	22,326	28,987	783	8,117	454,243	11,860	91
Total		97,943	104,566	6,210	24,351	3,881,422	57,749	505
4-year private:								
Loyola University	TX	7,309	7,494	248	2,259	149,261	4,289	37
Loyola University	IL	5,849	6,954	332	1,598	215,599	3,861	35
Marquette University	WI	6,273	6,700	306	1,215	202,054	4,255	35
University of Pennsylvania	PA	7,799	11,884	375	5,374	244,978	3,960	31
University of Southern California	CA	9,090	12,529	953	3,450	733,400	6,448	50
Total		36,320	45,561	2,214	13,896	\$1,545,292	22,733	188
Vocational-technical:								
Bryam School	IL	1,235	1,070	307	369	\$ 215,541	340	5
Allstate Business College	TX	540	287	246	536	165,442	360	5
Art Institute of Pittsburgh	PA	1,344	1,472	205	626	116,348	1,521	12
California Business College (note e)	CA	-	-	-	-	-	-	-
Total		3,119	2,829	758	1,531	\$ 497,333	2,485	27
Total all schools		165,809	213,949	15,572	49,968	\$9,688,514	143,532	1,192

a/Full-time students only.

b/Full- and part-time students.

c/Students receiving Basic Grants, Supplemental Educational Opportunity Grants, National Direct Student Loans, and College Work-Study. Students participating in more than one program are counted under each program.

d/The district owns and operates two colleges: San Antonio College and St. Philip's College. The Basic Grant program is administered by San Antonio College.

e/Included only in publicity questionnaire phase of review.

DESCRIPTION OF STATISTICAL ANALYSISTECHNIQUES USED DURING REVIEW

Samples selected during the review were designed to provide information on a particular aspect of the program. Postsecondary schools were selected on a judgmental basis, and students at these schools were randomly selected. The random samples provide a confidence level of 95 percent.

SELECTION OF SCHOOLS

Postsecondary schools were selected to include a diversity of schools which participated in the Basic Grants program. The selection criteria were

- type of school, for example, 2- and 4-year public and private, nonprofit, and proprietary;
- institutions of varying enrollments;
- geographic dispersion, including schools in the Northeast, Midwest, South, and West;
- sufficient number of Basic Grant recipients; and
- comparison of national average Basic Grant (\$621) to assure that the average grant for schools in sample (\$672) was representative.

Originally 20 schools were selected. One--California Business College--was subsequently dropped when we learned that the HEW Audit Agency would audit the school at about the same time. We did include students enrolled at this school for our questionnaire on Basic Grant outreach.

Appendix IV shows schools selected, enrollment data, OE aid recipients, and universe and sample sizes.

SELECTION OF 1974-75 RECIPIENTS

A random sample of 772 recipients for academic year 1974-75 was selected at the 19 schools (1) to compare applicant information on student eligibility reports with information on students' other financial aid records available at the school and (2) to assess the validity of information used to determine students' eligibility. (See p. 22.)

ANALYSIS OF QUESTIONABLE AWARDS AND AWARDS TO INELIGIBLES

The estimates for dollars awarded to ineligible recipients and for awards made to recipients on the basis of Basic Grant eligibility information without resolving conflicting information in student aid files were computed as follows:

- Multiplying the mean dollar estimate for ineligibles at the 19 schools in our sample (\$42.447) by the total number of 1974-75 Basic Grant recipients (573,403) = \$24.3 million.
- Multiplying the mean dollar estimate of the disputed award per recipient for the 19 schools (\$205.607) by the total number of 1974-75 recipients (573,403) = \$117.9 million.

ANALYSIS OF DUPLICATE AWARDS AND DEVELOPMENT OF RECIPIENTS' PROFILES

From OE and processing contractor records, we randomly selected 14,873 Basic Grant recipients' records to determine the potential for duplicate awards. (See p. 36.) Two subsamples of awards for 1,179 dependent and 1,423 independent recipients were made to develop profiles of typical recipients considering socioeconomic characteristics, such as family income and assets, household size, and age of the recipient. We used frequency distributions and averages from our analysis to develop profiles for recipients in several ranges of awards received. (See app. VI.)

ANALYSIS OF OE AND SCHOOL OUTREACH EFFORTS

We randomly selected 1,192 freshmen and sophomores from enrollment records maintained at 19 postsecondary schools visited and at California Business College. Questionnaires were sent to these students to determine their awareness of the Basic Grant program; when, where, and how they had obtained their information; and whether they had received an award. (See p. 10.)

DETAILED PROFILE ANALYSIS OF BASIC GRANT RECIPIENTS

1974-75 ACADEMIC YEAR

Characteristics	Grant amounts for dependent recipients (note a)				Grant amounts for independent recipients			
	\$800-\$1,050	\$500-\$799	\$499 or less	Total	\$800-\$1,050	\$500-\$799	\$499 or less	Total
Percent of total recipients receiving grants	81	34	21	26	19	7	5	7
Average age of recipient	20	20	20	20	27	27	26	27
Percent of recipients (note b):								
Single	99	99	98	98	36	36	38	35
Married	1	(c)	(c)	2	31	26	34	37
Divorced, separated, widowed	1	(c)	1	(c)	33	38	28	28
Number in household (note d)	5	6	5	5	3	3	3	3
Household members attending postsecondary schools (note d)	2	2	2	2	1	1	1	1
Average total income	\$6,840	\$4,700	\$7,000	\$9,430	\$3,100	\$2,520	\$2,940	\$3,840
Average net assets	\$5,960	\$4,820	\$5,290	\$7,800	\$130	\$130	\$230	\$70
Percent of recipients or families owning a home	60	54	57	70	10	9	17	11
Average net value of home	\$7,790	\$7,460	\$6,890	\$8,630	\$1,440	\$1,740	\$1,840	\$850
Percent of recipients or families owning a business	5	5	5	5	(c)	-	-	1
Average net value of business	\$1,610	(\$680)	\$2,870	\$3,860	(\$4,930)	-	-	(\$4,930)
Percent of families owning a farm	5	5	6	4	(c)	(c)	(c)	-
Average net value of farm	\$12,970	\$10,220	\$12,330	\$16,790	\$4,000	-	\$4,000	-

a/Information shown for the dependent recipients was computed as follows:

--Household size and number in postsecondary education reflects the composition of the parents' home.

--Income data is composed of the parents' income plus students' Veterans Administration and social security educational benefits.

--Average net assets include parents' and student resources.

--Data on home, farm, or business ownership includes parents' assets only.

b/Because of rounding, percentages may not total 100.

c/Indicates instances when percentages are less than 0.5 percent.

d/Figures represent averages and include Basic Grant recipients.

PRINCIPAL HEW OFFICIALS
RESPONSIBLE FOR ADMINISTERING ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF HEALTH, EDUCATION, AND WELFARE:		
Joseph A. Califano, Jr.	Jan. 1977	Present
David Mathews	Aug. 1975	Jan. 1977
Caspar W. Weinberger	Feb. 1973	Aug. 1975
Frank C. Carlucci (acting)	Jan. 1973	Feb. 1973
ASSISTANT SECRETARY FOR EDUCATION:		
Mary F. Berry	Apr. 1977	Present
Philip E. Austin (acting)	Jan. 1977	Apr. 1977
Virginia Y. Trotter	June 1974	Jan. 1977
Charles B. Saunders, Jr. (acting)	Nov. 1973	June 1974
Sidney P. Marland, Jr.	Nov. 1972	Nov. 1973
COMMISSIONER OF EDUCATION:		
Ernest L. Boyer	Apr. 1977	Present
William F. Pierce (acting)	Jan. 1977	Apr. 1977
Edward Aguirre	Oct. 1976	Jan. 1977
William F. Pierce (acting)	Aug. 1976	Oct. 1976
Terrel H. Bell	June 1974	Aug. 1976
John R. Ottina	Aug. 1973	June 1974
John R. Ottina (acting)	Nov. 1972	Aug. 1973

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